

WASHINGTON, DC - Today, House Energy and Commerce Committee Members Lee Terry (R-NE) and Rick Boucher (D-VA) introduced the Universal Service Reform Act of 2006 to improve the Universal Service Fund (USF) and ensure its continued viability by broadening the base of contributions into the Fund, controlling distributions from the Fund, and assisting with the rollout of high speed broadband access.

"After a lengthy process of consultation with industry representatives and others with an interest in the Universal Service Fund, we are introducing this measure, which reflects broad areas of consensus. The legislation will control the spiraling growth of the Universal Service Fund while ensuring that universal service support is available to rural carriers which rely on it to provide service.

Our measure will expand who pays into the Fund, cap the growth of the Fund and modernize the Fund by allowing its use for the deployment of high speed broadband service," said Boucher.

"The commonsense approach embodied in this measure will assure that Universal Service support remains available for the preservation of local exchange and broadband service, particularly in rural and underserved areas, far into the future," Terry said. "This consensus measure will lessen demand for universal service support by limiting the number of eligible telecommunications carriers and compensating eligible telecommunications carriers based on their actual costs of providing service. Reforming USF is a significant step in closing the

gap between rural and urban , allowing for all of to compete in the global market place with both products and ideas.

Since enactment of the Telecommunications Act of 1996, a variety of new providers of voice services, such as Voice Over Internet Protocol (VOIP) services, which are exempt from USF payments, have entered the market, resulting in greater USF funding burdens being placed on traditional service providers. The Universal Service Reform Act of 2006 responds to these developments by making providers of services which substitute for traditional service and providers of connections to the broadband network contributors to the USF.

The Universal Service Reform Act of 2006 controls the growth of the USF by capping all high-cost support mechanisms of the USF. This measure will also encourage the deployment of broadband, especially in rural areas, by allowing recipients to use universal service support to deploy broadband within their service areas and by requiring recipients of universal service support to deploy broadband with a download speed of at least 1 megabit per second within 5 years of enactment.

In regards to the alterations of the bill, Terry said, "In November, Rick and I released a discussion draft of this bill. We received a number of useful responses, but most of the input dealt with one or two areas that we have revised in our bill. I feel we have established a balanced approach to reforming USF."

Changes from the discussion draft, which are detailed in the attachments, include adjustments to the cap on the high cost support mechanism. Specifically, the cap is adjusted to account for changes made in the bill to the USF support for non-rural carriers and elimination of the parent trap.

The new draft also provides for an adjustment to the cap if the FCC revises the intercarrier compensation regime and shifts access charge recovery into the Universal Service Fund.

The bill gives the FCC the discretion to adopt a revenues or numbers approach, or a combination of the two, to contributions to the Fund.

It also provides for automatic waivers of the broadband speed requirement for USF recipients which can demonstrate that their cost of providing high speed broadband service exceeds a certain threshold.

"The changes to the bill reflect the many thoughtful comments we received," Boucher concluded.

Congressmen Terry and Boucher look forward to Chairman Barton conducting hearings on universal service reform and to working with their colleagues on the House Energy and Commerce Committee and

in the Congress to enact this consensus measure into law.

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